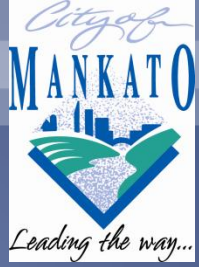


# City of Mankato

## 2011 Budget Outlook

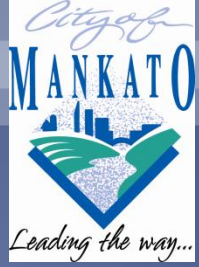
# Why does the budget matter?



- ◇ Many of the services provided in the budget are so much a part of the community, our daily lives and are so dependable that we rarely give them a second thought.
- ◇ In lean times, cities simply don't have the dollars necessary to meet all the needs of the community. Local Government Aid (LGA) from the state has been dramatically reduced over the past several years.
- ◇ It is critical that we maintain property taxes and fees at reasonable levels.

# Why does the budget matter?

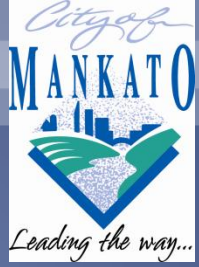
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- ◇ Cities are facing tough decisions. Just as with a household or business budget, when income goes down expenses need to go down, too. While initially this leads to resourcefulness and efficiency, there comes a point when hard decisions must be made about what community values are the priority. Many cities are at this point today.
- ◇ Figuring out how to pay for what the community wants and needs isn't easy. There are competing points of view and priorities to weigh, and funds provided from the state and federal governments are less and less reliable. While state and federal aid has led to efficiencies, many cities have few options left beyond cutting services or raising taxes and fees.
- ◇ [Outside the Ox Video](#)

# Why does the budget matter?

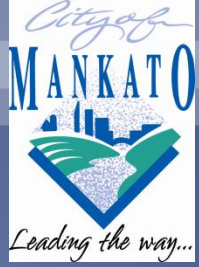
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- ◇ LGA cuts have resulted in service cuts and property tax increases.
- ◇ A Coalition of Greater MN Cities Survey shows cities are doing all they can to make up for these cuts in the form of:
  - ◇ Service level reductions (i.e. street maintenance, parks, public safety, snow removal)
  - ◇ Spending cuts (i.e. delay in capital expenditures or strategic initiatives)
  - ◇ Employee wages/benefits
  - ◇ Reduction in personnel
  - ◇ Increase in revenues (MN cities average a 5% increase in property taxes and 60% added new or higher fees)
  - ◇ Reserves and cash flow (74% of cities have reduced fund balances, 9% have inadequate fund balances, 3.5% used short term borrowing)

# Why does the budget matter?

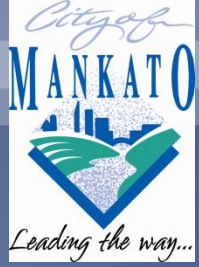
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- ◇ LGA was established as a method of providing fairness in property taxation across the state.
- ◇ The underlying philosophy of the LGA program is that no matter what corner of the state we live in, no matter how poor a city's property tax base is, and no matter how high a city's need is, all cities have the right to needed services.
- ◇ Cities pay for services through a combination of property tax revenues, and to a lesser extent LGA.
- ◇ LGA is distributed to cities based on a formula that identifies a city's need versus its effort, or ability to raise revenues.

# Why does the budget matter?

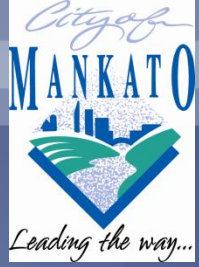
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- ◇ Some cities do not receive LGA because they have higher property wealth or lower need than other cities, and can raise enough revenues to cover the cost of services while maintaining a fair tax rate.
- ◇ However, for the majority of the state, this is not the case.
- ◇ Most cities are unable to cover the cost of services through property tax revenues alone and require LGA to maintain a fair tax rate.
- ◇ LGA makes up about 30% of Mankato's general fund.

# Why does the budget matter?

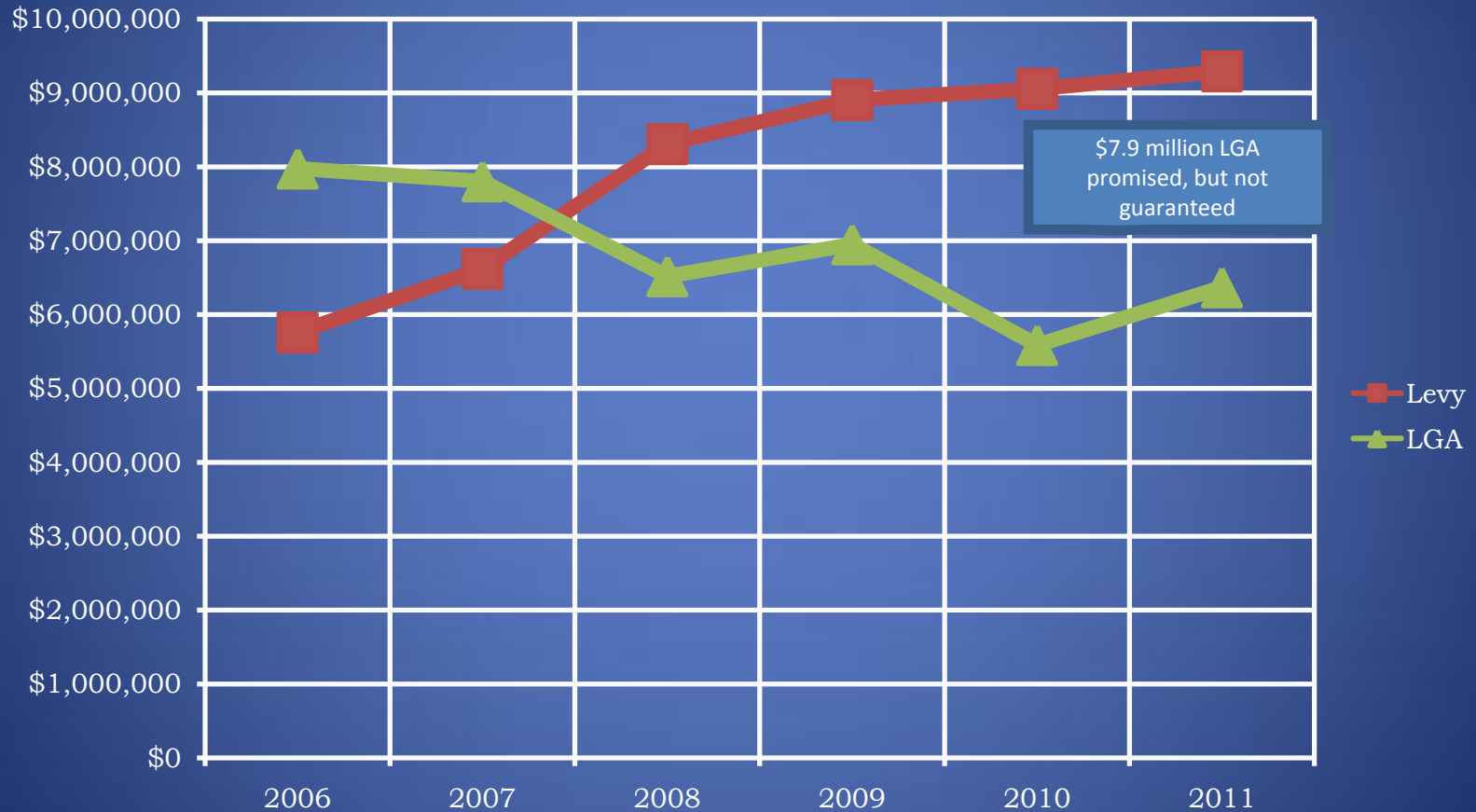
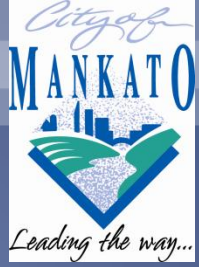
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- ◇ Due to lower property wealth, greater Minnesota receives 65% of LGA - Minneapolis, St Paul, and inner-ring suburbs comprise the remaining.
- ◇ Because greater Minnesota is more dependent on LGA, the impacts of the cuts have been more detrimental to providing quality services, economic health and promoting livability.
- ◇ History tells us when LGA is cut, property taxes go up and services-police, fire, streets, parks, to name a few go down.

# Why does the budget matter?

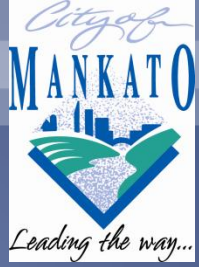
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# What to expect in Mankato's 2011 Budget

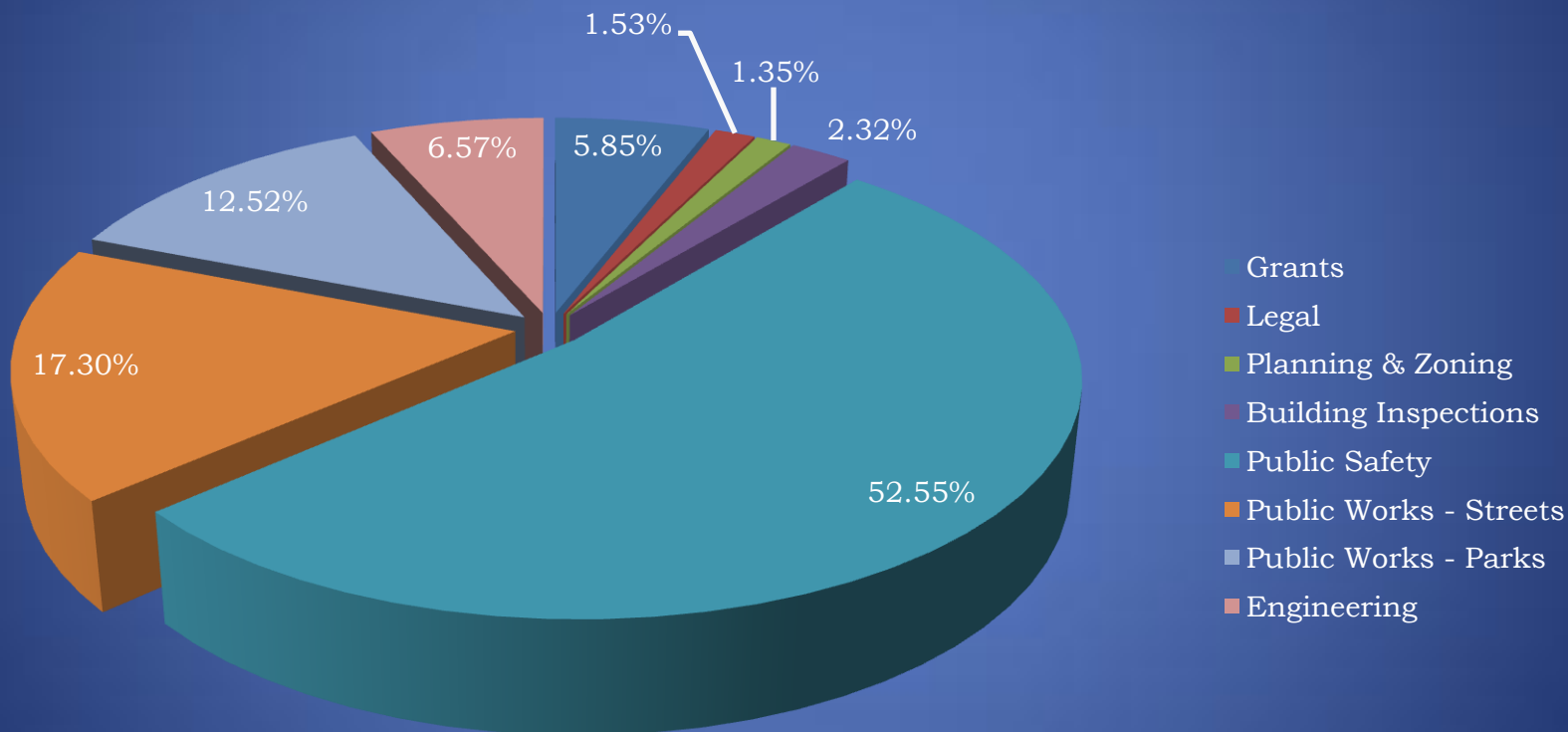
# 2011 Property Tax Overview



- ◇ The proposed 2011 levy increase is 1.9% or \$250,818.
- ◇ The total proposed property tax levy is \$13,429,000.
- ◇ The estimated tax extension rate is 41.39.
- ◇ The levy results in an a \$11.45 increase for the average value Mankato residential property of \$132,300.

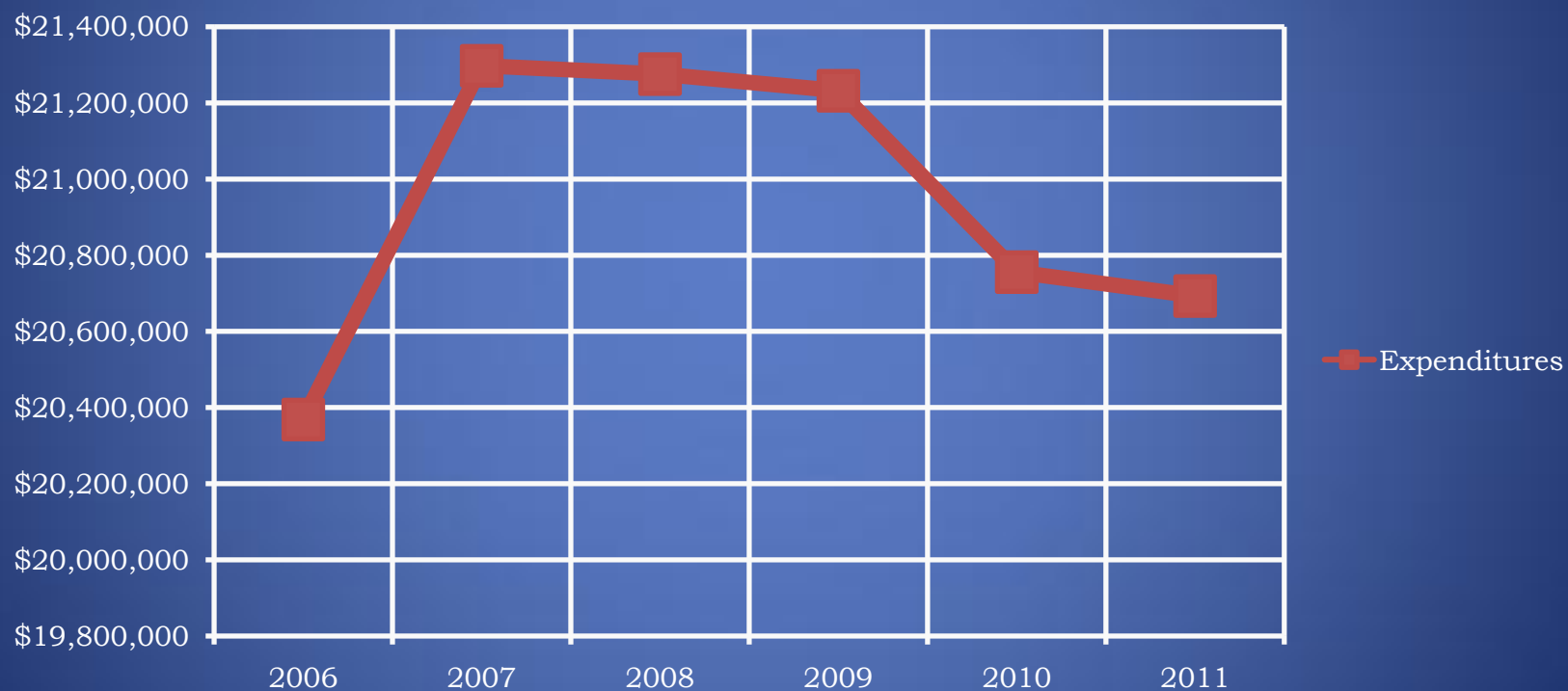
# General Fund

## Budget Expenditures



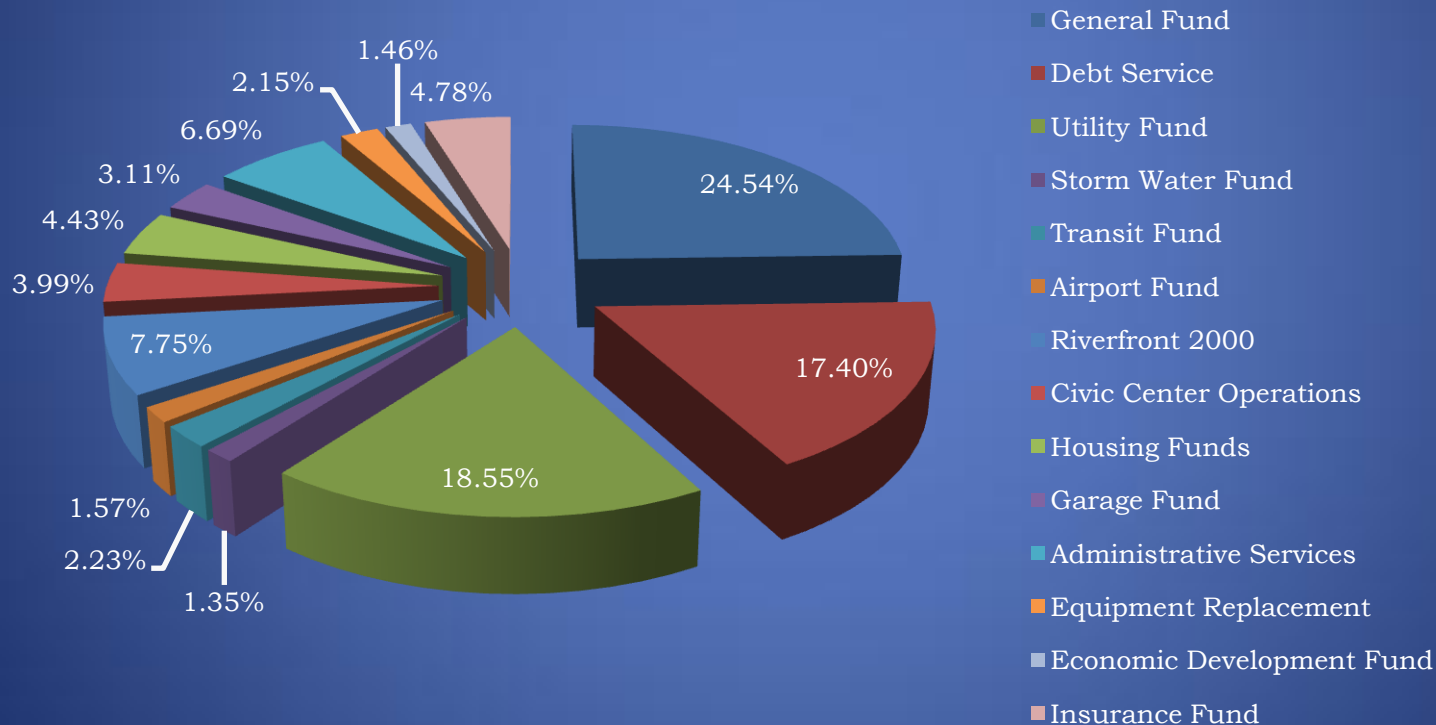
# General Fund continued

## Expenditures



# All Funds Summary

**All Funds Summary**



# All Funds Summary continued

- ◇ The total budget is approximately \$84.3 million. Many of the funds have dedicated sources and uses (i.e. Utilities, Civic Center, Housing, EDA, etc.)
- ◇ Dedicated funding sources are based on legislation (federal or state) and collection of fees for services.

# 2011 Budget Overview

- ◇ Lower expenditure and revenue levels are projected/proposed for 2011 due to the unresolved nature of LGA.
- ◇ LGA is certified for 2011 at \$7,995,00. Due to the tendentious nature of the state budget situation, we anticipate receiving only \$6,369,00 in LGA for 2011.
- ◇ If we should receive LGA above that amount (up to the certified level), the Council can examine reinstating service levels (filling open positions, street maintenance materials, etc.) and capital projects (i.e. public safety equipment, playground replacement).

# 2011 Budget Overview

continued

- ◇ General fund spending for the past five years has been reduced by nearly 17%, or approximately \$3.5 million due to the ongoing Governor's unallotment of LGA and the unresolved nature of local government property tax relief. This is coupled by the Council's decision to increase the levy by a minimal increase levy adjustment to offset LGA losses and keep tax rates at a moderate and affordable level.
- ◇ Outcome = citizens will see a decrease in response times and changes in service delivery methods.



# 2011 Budget Overview continued

- ◇ In order to maintain 2010 budget levels for 2011, the following actions are part of the preliminary budget (across all funds not just the general fund):
- ◇ A 0% increase in operational expenditures and delay of capital equipment/purchases.
- ◇ Base payroll costs for all employees is redlined at 2010 levels.
  - ◇ The exception would be step increases for new employees or step increases for employees on longevity, and health insurance premium increases or changes.
  - ◇ For non-union employees, there will be furloughs and a hard shut down of facilities.
  - ◇ Unless union contracts are reopened and renegotiated to achieve the 0% increase in pay wages a variety of methods will need to be deployed. Methods would include voluntary and mandatory furloughs, reduction of hours and layoffs.

# 2011 Budget Overview continued

- ◇ Not filling seven full-time vacant/open positions within the general fund (including two police officers, two street/plow drivers, one parks worker/plow driver, one plumbing inspector, and one parks supervisor).
- ◇ In addition to the above position reductions, 11 additional positions were left unfunded during 2009/2010 budget deliberations.
- ◇ These reductions result in 37,440 lost productivity hours.
- ◇ Since 2009, there are a total of 28 open unfunded positions throughout the organization to address budget constraints.

# 2011 Budget Overview continued

- ◇ During the past year, cost containment measures in the city's self-insured health care fund have resulted in a projected 3% cost for 2011 premiums.
  - ◇ This is below the 8-18% increases over the past decade and is generally below inflation rates for medical expenses.
- ◇ Energy related costs within the general fund (gas, electric, street lights, and fuel) are projected to increase by 2%. Below payroll costs, energy spending represents the second largest cost driver within the general fund.

# Where does this take us...

- ◇ While we face budget challenges, our public expects quality and efficient service delivery. Even though our expenditures have been reduced, property taxes have not declined. This can be directly attributed to reductions in LGA and declining property valuations.
- ◇ We will continue to deliver our core services and not abandon livability initiatives. This is expected by the public.
- ◇ [What Matters?](#)
- ◇ If we should receive the LGA that we have been promised, we will be able to reinstate some service/staffing levels and capital expenditures/projects. This will depend upon the upcoming elections and tenure of the legislature.

# For more information:

- ◇ [Thank LGA](#)
- ◇ [Outside the Ox](#)
- ◇ [Cities Matter](#)
- ◇ [2011 City of Mankato Preliminary Budget](#)
- ◇ [My MN Budget](#)